



Alert! Be Careful Not to Burn Yourself With Village Farms International Inc. (TSX:VFF) Stock

Description

The **S&P/TSX Composite Index** fell 30 points on March 4. The index has still climbed 11.9% in 2019 so far. Cannabis stocks suffered from [broad weakness](#) on the same day, while energy also took a hit.

Back in early February I'd warned investors that cannabis stocks were reaching [high valuations](#), and to be cautious in the near term. Top cannabis stocks like **Canopy Growth**, **Aurora Cannabis**, and **Cronos Group** are down month over month. In early February short-seller Andrew Left warned that investors should take profits in cannabis stocks and seek exposure to the sector south of the border. If we go by the last month this advice has rung true.

One top performer that is listed in Canadian and U.S. markets has bucked the broader trend for Canada-based companies.

Village Farms (TSX:VFF)([NASDAQ:VFF](#)) is a British Columbia-based company that owns and operates greenhouse facilities. The stock fell 2.10% on March 4. Shares are up a stunning 237% in 2019 so far.

On March 1 Village Farms announced a joint venture with Jennings Group for the outdoor cultivation of high-cannabidiol (CBD) hemp and CBD extraction in the United States. Village farms will contribute \$15 million and own 65% of the joint venture. Hemp cultivation is expected to begin this spring.

There is considerable optimism over Village Farms prospects because of its agricultural expertise, as well as its research and development capabilities. Village Farms has been a vertically integrated grower that has supplied fresh produce to grocers and big box retailers for decades. Its experience is welcome in an industry that has seen a lot of newcomers over the past few years.

Village Farms also received a boost from its NASDAQ listing in February. Cannabis stocks have received increased interest in the United States. The U.S. shows no sign of pursuing federal recreational legalization in the near term. The revised 2018 Farm Bill allows hemp cultivation broadly. Prior policy had restricted the industry to small-scale expansion of hemp cultivation. The news in

December sparked a massive uptick for Village Farms stock.

So, is Village Farms a good pick up today, or do investors risk a pricey entrance?

Shares of Village Farms hit an all-time high of \$16.25 on March 1, the same day the joint venture with Jennings Group was announced. The stock has reversed marginally, but is still close in price to its 52-week high. Glancing at its technicals, Village Farms looks like a pricey option. The stock last boasted a **Relative Strength Index** (RSI) of 76, putting the stock well into overbought territory as of close on March 4.

The rush for Village Farms illustrates how beneficial development in U.S. markets will be for cannabis companies going forward. For investors, the U.S. market is the most explosive frontier. Village Farms boasts infrastructure and experienced personnel that younger cannabis firms have lacked, but its stock is plainly overpriced in early March.

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